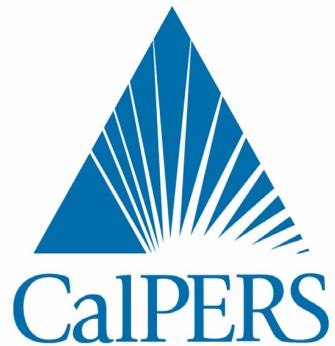


Medicare Enrollment in Basic Plan



**Health Benefits Committee
April 22, 2008**

Issues

- Retirees Aged 65 or Older in Basic Plan
- Basic Premium Calculations
- Cost/Benefit Analysis
- Next Steps



Retirees Aged 65 or Older in Basic Plan

- 8,016 retirees aged 65 or older enrolled in CalPERS basic health plans:
 - CalPERS PPO: 3,400 (42 percent)
 - Kaiser Basic: 2,796 (35 percent)
 - Blue Shield HMO: 1,820 (23 percent)
- Estimated cost of retirees aged 65 or older in basic plans: \$46.2 million annually
 - Kaiser basic plan: \$20.4 million (44 percent)
 - PPO and Blue Shield HMO: \$25.8 million (56 percent)



Retirees Aged 65 or Older in Basic Plan

- Retirees aged 65 or older enrolled in basic plans either:
 - Recently turned 65; in process of enrolling in Medicare
 - Do not meet Medicare plan enrollment requirements
 - Not required to enroll in Medicare plan pursuant to PEMHCA and corresponding regulations



Basic Premium Calculations

- Kaiser:
 - Does not include cost experience for retirees aged 65 or older
 - Adds surcharge to basic rate for these retirees
- Blue Cross PPO and Blue Shield HMO:
 - Includes cost experience of retirees aged 65 or older (no surcharge)
 - CalPERS pays 100% of claims costs for retirees aged 65 or older in basic plans when Medicare eligibility unknown, and uncovered portion when we know enrollment status in Part A or Part B



Kaiser Surcharge Calculation

EXAMPLE

Kaiser Plan	CalPERS Premium	CMS Supplement	Received by Kaiser
Senior Advantage	\$270	\$700	\$970
Basic	\$470	\$0	\$470
Surcharge:			\$500

Kaiser applies surcharge to all three tiers in its basic plan: single party, two party and family



Kaiser Surcharge Verification

- 2000 OFAS audit
 - Accurate compilation of eligible members
 - Members aged 65 or older excluded from basic plan rate calculations
- 2008 HCDSS data
 - Validates claims experience for retirees aged 65 or older not included in basic plan

Cost/Benefit Analysis

- Calculation of Costs
 - Part A premium
 - Penalties for Part A and Part B late enrollment
 - Part B premium
- Calculation of Savings
 - Basic premium savings due to removal of high cost members
 - Lower Medicare premiums



Cost/Benefit Analysis Results

Savings

Basic plan premium savings	\$46.2 million
Difference between Basic and Medicare plan premiums	\$13.6 million
Subtotal	\$59.8 million

Costs

Part A Premium	-\$31.8 million
Part A Penalty	-\$3.2 million
Part B Penalty	-\$8.2 million
Part B Premium	-\$6.8 million
Subtotal	-\$50 million

<u>Net Savings</u>	\$9.8 million
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Next Steps

Should the Board move and approve, staff will:

- Investigate state and public agency funding mechanisms for Part A and Part B payments to Medicare (premiums and penalties)
- Determine groups to transfer (e.g., retirees without Part A, retirees not required to enroll in Medicare pursuant to PEMHCA and its corresponding regulations)
- Identify required legislative, regulatory, or policy changes
- Develop timeline for 2010 implementation
- Present recommendation for continued transitions